

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 3, 2018

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Auditor of State Mary Mosiman today released an audit report on the City of Wilton, Iowa.

The City's receipts totaled \$7,413,587 for the year ended June 30, 2017, a 10.2% increase over the prior year. The receipts included \$1,367,962 in property tax, \$216,681 from tax increment financing, \$1,753,267 from charges for service, \$517,188 from operating grants, contributions and restricted interest, \$312,823 from capital grants, contributions and restricted interest, \$338,039 from local option sales tax, \$46,456 from commercial/industrial tax replacement, \$28,137 from unrestricted interest on investments, \$2,781,897 from bond/note proceeds and \$51,137 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$6,529,375, a 25.1% increase over the prior year, and included \$2,622,873 for debt service, \$736,715 for public safety and \$442,971 for culture and recreation. Also, disbursements for business type activities totaled \$1,413,094.

The significant increase in receipts is due primarily to the receipt of general obligation bond proceeds. The increase in disbursements is primarily due to an increase in debt service payments related to the redemption of the general obligation economic development anticipation project note issued in fiscal year 2016.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1720-0657-B00F>.

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CITY OF WILTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2017

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City of Wilton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Barrett	Mayor	Jan 2018
Keith Stanley	Mayor Pro tem	Jan 2018
Ted Glenney	Council Member	Jan 2018
Wayne Budding	Council Member	Jan 2020
Sheryl Lenker	Council Member	Jan 2020
Ted Marolf	Council Member	Jan 2020
Christopher Ball	Administrator	Indefinite
Lori A. Brown	City Clerk/Treasurer	Indefinite
Gerald Denning	Attorney	Indefinite

City of Wilton



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for all of the City's component units which should be discretely presented because the Wilton Municipal Light and Power System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component units is \$2,432,482.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Wilton as of June 30, 2017, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wilton as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Wilton Municipal Light and Power System. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 15 and 38 through 44, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2018 on our consideration of the City of Wilton’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wilton’s internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 26, 2018

City of Wilton

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Wilton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 9.9%, or approximately \$520,000, from fiscal year 2016 to fiscal year 2017. Property tax increased approximately \$93,000 and bond proceeds increased approximately \$807,000.
- Disbursements of the City's governmental activities increased 26.0%, or approximately \$1,056,000, from fiscal year 2016 to fiscal year 2017. Debt service disbursements increased approximately \$2,125,000 while capital projects disbursements decreased by approximately \$1,136,000.
- The City's total cash basis net position increased 18.1%, or approximately \$884,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$715,000 and the cash basis net position of the business type activities increased approximately \$169,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer and refuse collection systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide separate information for the Water, Sewer and Garbage Funds, considered to be major funds of the City.

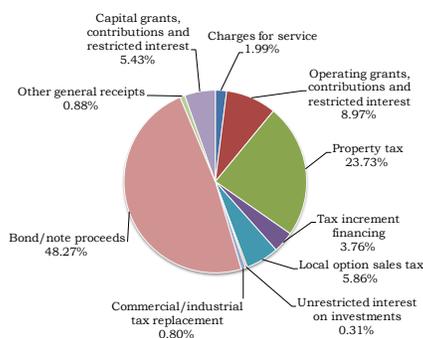
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

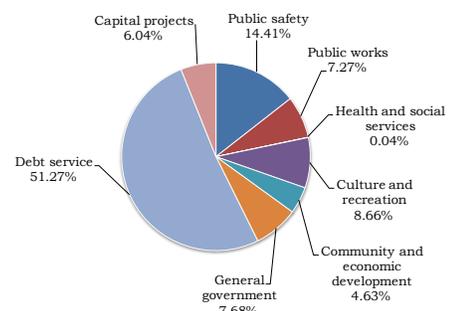
Net position may serve over time as a useful indicator of financial position. The City's cash balance of governmental activities increased from a year ago, increasing from approximately \$3.150 million to approximately \$3.865 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 115	161
Operating grants, contributions and restricted interest	517	1,164
Capital grants, contributions and restricted interest	313	-
General receipts:		
Property tax	1,368	1,275
Tax increment financing	217	225
Local option sales tax	338	321
Commercial/industrial tax replacement	46	43
Unrestricted interest on investments	18	5
Bond/note proceeds	2,782	1,975
Other general receipts	51	76
Total receipts	5,765	5,245
Disbursements:		
Public safety	737	595
Public works	372	581
Health and social services	2	2
Culture and recreation	443	381
Community and economic development	237	170
General government	393	388
Debt service	2,623	498
Capital projects	309	1,445
Total disbursements	5,116	4,060
Change in cash basis net position before transfers	649	1,185
Transfers, net	66	(3)
Change in cash basis net position	715	1,182
Cash basis net position beginning of year	3,150	1,968
Cash basis net position end of year	\$ 3,865	3,150

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 9.9%, or approximately \$520,000 over the prior year. The total cost of all programs and services increased approximately \$1,056,000, or 26.0%, with no new programs added this year. The significant increase in receipts was primarily due to the receipt of \$2,782,000 of bonds/note proceeds. The increase in disbursements was primarily due to an increase in debt service payments, the most significant being the redemption of the general obligation economic development anticipation project note issued in fiscal year 2016.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 619	577
Sewer	658	567
Garbage	361	328
General receipts:		
Unrestricted interest on investments	10	10
Total receipts	<u>1,648</u>	<u>1,482</u>
Disbursements:		
Water	440	390
Sewer	690	475
Garbage	283	295
Total disbursements	<u>1,413</u>	<u>1,160</u>
Change in cash basis net position before transfers	235	322
Transfers, net	<u>(66)</u>	<u>3</u>
Change in cash basis net position	169	325
Cash basis net position beginning of year	<u>1,732</u>	<u>1,407</u>
Cash basis net position end of year	<u>\$ 1,901</u>	<u>1,732</u>

Total business type activities receipts for the fiscal year were approximately \$1.648 million compared to approximately \$1.482 million last year, an increase of approximately \$166,000, or 11.2%. The increase in receipts was primarily due to an increase in water, sewer and garbage rates charged to customers for utility services. Total disbursements for the fiscal year increased 21.8% to approximately \$1.413 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wilton completed the year, its governmental funds reported a combined fund balance of \$3,865,223, an increase of \$714,861 over last year's total of \$3,150,362. The following are the reasons for significant changes in the cash balances of the major governmental funds from the prior year.

- The General Fund cash balance increased \$640,351 over the prior year to \$2,621,660. The increase is primarily due to bond proceeds received in fiscal year 2017 for improvements to City Hall and the receipt of \$251,800 of Revitalize Iowa's Sound Economy (RISE) funds from the Iowa Department of Transportation for the City's Industrial Park improvements.

- The Special Revenue, Road Use Tax Fund cash balance increased \$111,247 to \$355,848. Receipts decreased \$26,695, primarily due to a decrease in the road use tax distributions to the City. Disbursements decreased \$208,670, primarily due to the purchase of a truck and dump box for the Street Department in fiscal year 2016.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$20,804 over the prior year to \$176,587. Tax increment financing receipts decreased approximately \$8,500. Disbursements increased \$70,448, primarily due to the Downtown Revitalization project and the first rebate payment to Eastern Iowa Light and Power. Receipts continued to be sufficient to cover all disbursements.
- The Special Revenue, Local Option Sales Tax (LOST) Fund had total receipts of \$338,208 in fiscal year 2017. According to the referendum, one-half of the LOST receipts are to be used for property tax relief and one-half of the receipts are to be used for sewer improvements. In accordance with the referendum, the City recorded transfers to the General Fund and the Enterprise, Sewer Fund and did not retain a cash balance at year end.
- The Debt Service Fund cash balance decreased \$73,206 to \$21,978. This decrease was primarily due to the payment of the general obligation economic development anticipation project note issued in fiscal year 2016. A transfer should have been made from the Special Revenue, Urban Renewal Tax Increment Fund during fiscal year 2017. The City plans to initiate a correcting transfer from this fund in fiscal 2018.
- The Capital Projects Fund cash balance increased \$33,090 to \$449,363. This increase was primarily due to the matching receipts from City business owners for the Downtown Revitalization Façade project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The following are the reasons for significant changes in the cash balances of the major business type funds from the prior year.

- The Enterprise, Water Fund cash balance increased \$95,550 to \$624,422. Charges for service increased approximately \$41,000, primarily due to a water rate increase during the year. Operating disbursements increased \$18,042 over the prior year.
- The Enterprise, Sewer Fund cash balance increased \$17,730 to \$1,135,845. Charges for service increased approximately \$91,000, primarily due to a sewer rate increase during the year. Operating disbursements increased \$47,697 due primarily to an increase in costs associated with salaries, health benefits and emergency repairs. During fiscal year 2017, the City transferred \$77,648 to the Debt Service Fund to reimburse prior year general obligation principal and interest costs payable from sewer resources. No similar transfer was made during fiscal year 2016.
- The Enterprise, Garbage Fund cash balance increased \$56,071 to \$141,353. Charges for service increased approximately \$32,000, primarily due to a garbage rate increase during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 27, 2017 and resulted in an increase in budgeted receipts and disbursements. Budgeted receipts increased to reflect anticipated tax increment financing receipts. Budgeted disbursements increased primarily to budget the appropriate amount for debt service payments.

The City's receipts were \$194,971 more than budgeted. This was primarily due to the City not budgeting for all intergovernmental receipts.

With the budget amendment, total disbursements were \$755,882 less than the amended budget. Actual disbursements for the business type activities function were \$64,666 less than the amended budget, primarily due to delayed project costs.

Even with the budget amendment, disbursements in the capital projects function exceeded the amount budgeted due to unanticipated project and construction costs.

DEBT ADMINISTRATION

At June 30, 2017, the City had approximately \$6,164,000 of bonds, notes and loans outstanding, compared to approximately \$6,189,000 of bonds, notes and loans outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2017	2016
General obligation refunding bonds	\$ 5,030	2,905
Revenue bonds and notes	1,111	1,280
General obligation anticipation project note	-	1,975
Bank loan	23	29
Total	<u>\$ 6,164</u>	<u>6,189</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$5,053,000 and tax increment financing rebate and economic development agreements of \$830,277, net of cash on hand of \$198,565 to service this debt, totals \$5,684,712 and is significantly below the City's constitutional debt limit of approximately \$8,049,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Wilton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. The Wilton City Council has always tried to keep a steady tax rate. The Wilton community, Wilton Development Corporation and City Council have been very aggressive in attracting new businesses and continue to develop a new industrial park on the eastern side of the City.

Amounts available for appropriation in the operating budget for fiscal year 2018 are \$9,008,596, including the beginning budget balance of \$4,431,289 plus budgeted receipts of \$4,577,307. The City is expecting a \$2,906,202 decrease in disbursements compared to the final fiscal year 2017 budget. The City has added no major new programs to the fiscal year 2018 budget.

These parameters were taken into account when adopting the budget for fiscal year 2018. The fiscal year 2018 general property tax levy is \$8.10000 per \$1,000 of taxable valuation, unchanged from fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Chris Ball, City Administrator, 104 East 4th Street, PO Box 27, Wilton, Iowa, 52778, or by phone at (563) 732-2115.

City of Wilton

Basic Financial Statements

City of Wilton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 736,715	6,009	126,511	-
Public works	371,904	6,084	347,851	-
Health and social services	2,112	-	-	-
Culture and recreation	442,971	67,324	41,690	-
Community and economic development	237,292	225	-	25,800
General government	393,450	35,768	-	-
Debt service	2,622,873	-	1,136	-
Capital projects	308,964	-	-	287,023
Total governmental activities	5,116,281	115,410	517,188	312,823
Business type activities:				
Water	440,288	619,364	-	-
Sewer	690,098	657,910	-	-
Garbage	282,708	360,583	-	-
Total business type activities	1,413,094	1,637,857	-	-
Total primary government	\$ 6,529,375	1,753,267	517,188	312,823
Component Unit:				
Wilton Library Foundation	\$ 6,307	-	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond/note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Debt service				
Employee benefits				
Police department				
Fire department				
Recreation center				
Library				
City hall				
Customer deposits				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Wilton Library Foundation
(604,195)	-	(604,195)	
(17,969)	-	(17,969)	
(2,112)	-	(2,112)	
(333,957)	-	(333,957)	
(211,267)	-	(211,267)	
(357,682)	-	(357,682)	
(2,621,737)	-	(2,621,737)	
(21,941)	-	(21,941)	
(4,170,860)	-	(4,170,860)	
-	179,076	179,076	
-	(32,188)	(32,188)	
-	77,875	77,875	
-	224,763	224,763	
(4,170,860)	224,763	(3,946,097)	

(6,307)

1,018,416	-	1,018,416	-
349,546	-	349,546	-
216,681	-	216,681	-
338,039	-	338,039	-
46,456	-	46,456	-
17,793	10,344	28,137	685
2,781,897	-	2,781,897	-
51,137	-	51,137	80
65,756	(65,756)	-	-
4,885,721	(55,412)	4,830,309	765
714,861	169,351	884,212	(5,542)
3,150,362	1,732,269	4,882,631	47,534
\$ 3,865,223	1,901,620	5,766,843	41,992

\$ 355,848	-	355,848	-
198,565	52,898	251,463	-
148,742	-	148,742	-
6,264	-	6,264	-
352,143	-	352,143	-
637,987	-	637,987	-
59,501	-	59,501	41,992
390,000	-	390,000	-
-	35,619	35,619	-
-	563,802	563,802	-
847,482	-	847,482	-
868,691	1,249,301	2,117,992	-
\$ 3,865,223	1,901,620	5,766,843	41,992

City of Wilton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2017

	General	Special Revenue		
		Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 827,813	-	-	-
Tax increment financing	-	-	216,681	-
Other city tax	12,342	-	-	338,039
Licenses and permits	35,768	-	-	-
Use of money and property	38,045	-	-	169
Intergovernmental	387,785	347,851	30,482	-
Charges for service	16,858	-	-	-
Miscellaneous	67,838	50	-	-
Total receipts	1,386,449	347,901	247,163	338,208
Disbursements:				
Operating:				
Public safety	606,679	-	-	-
Public works	91,704	236,654	-	-
Health and social services	2,112	-	-	-
Culture and recreation	420,859	-	-	-
Community and economic development	10,933	-	226,359	-
General government	332,591	-	-	-
Debt service	-	-	-	-
Capital projects	184,402	-	-	-
Total disbursements	1,649,280	236,654	226,359	-
Excess (deficiency) of receipts over (under) disbursements	(262,831)	111,247	20,804	338,208
Other financing sources (uses):				
Bond/note proceeds, including premium of \$114,897	553,413	-	-	-
Transfers in	349,769	-	-	-
Transfers out	-	-	-	(338,208)
Total other financing sources (uses)	903,182	-	-	(338,208)
Change in cash balances	640,351	111,247	20,804	-
Cash balances beginning of year	1,981,309	244,601	155,783	-
Cash balances end of year	\$ 2,621,660	355,848	176,587	-
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	355,848	-	-
Debt service	-	-	176,587	-
Employee benefits	-	-	-	-
Police department	6,264	-	-	-
Fire department	310,961	-	-	-
Recreation center	637,987	-	-	-
Library	9,805	-	-	-
City hall	390,000	-	-	-
Other purposes	397,952	-	-	-
Unassigned	868,691	-	-	-
Total cash basis fund balances	\$ 2,621,660	355,848	176,587	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
349,546	-	171,918	1,349,277
-	-	-	216,681
4,145	-	2,198	356,724
-	-	-	35,768
1,136	455	691	40,496
10,708	-	6,205	783,031
-	-	-	16,858
-	35,197	81,569	184,654
365,535	35,652	262,581	2,983,489
-	-	130,036	736,715
-	-	43,546	371,904
-	-	-	2,112
-	-	22,112	442,971
-	-	-	237,292
-	-	60,859	393,450
2,622,873	-	-	2,622,873
-	124,562	-	308,964
2,622,873	124,562	256,553	5,116,281
(2,257,338)	(88,910)	6,028	(2,132,792)
2,106,484	122,000	-	2,781,897
77,648	-	-	427,417
-	-	(23,453)	(361,661)
2,184,132	122,000	(23,453)	2,847,653
(73,206)	33,090	(17,425)	714,861
95,184	416,273	257,212	3,150,362
21,978	449,363	239,787	3,865,223
-	-	-	355,848
21,978	-	-	198,565
-	-	148,742	148,742
-	-	-	6,264
-	-	41,182	352,143
-	-	-	637,987
-	-	49,696	59,501
-	-	-	390,000
-	449,363	167	847,482
-	-	-	868,691
21,978	449,363	239,787	3,865,223

City of Wilton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2017

	Enterprise			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for service	\$ 605,164	657,910	360,583	1,623,657
Miscellaneous	14,200	-	-	14,200
Total operating receipts	619,364	657,910	360,583	1,637,857
Operating disbursements:				
Business type activities	316,804	324,853	282,708	924,365
Excess of operating receipts over operating disbursements	302,560	333,057	77,875	713,492
Non-operating receipts (disbursements):				
Interest on investments	4,686	3,462	2,196	10,344
Debt service	(80,638)	(120,568)	-	(201,206)
Capital improvements	(42,846)	(244,677)	-	(287,523)
Net non-operating receipts (disbursements)	(118,798)	(361,783)	2,196	(478,385)
Excess (deficiency) of receipts over (under) disbursements	183,762	(28,726)	80,071	235,107
Transfers:				
Transfers in	-	169,104	-	169,104
Transfers out	(88,212)	(122,648)	(24,000)	(234,860)
Total transfers	(88,212)	46,456	(24,000)	(65,756)
Change in cash balances	95,550	17,730	56,071	169,351
Cash balances beginning of year	528,872	1,118,115	85,282	1,732,269
Cash balances end of year	\$ 624,422	1,135,845	141,353	1,901,620
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 30,000	22,898	-	52,898
Customer deposits	35,619	-	-	35,619
Capital projects	-	563,802	-	563,802
Unrestricted	558,803	549,145	141,353	1,249,301
Total cash basis fund balances	\$ 624,422	1,135,845	141,353	1,901,620

See notes to financial statements.

City of Wilton

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Wilton is a political subdivision of the State of Iowa located in Cedar and Muscatine Counties. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, except as noted, the City of Wilton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements include the City of Wilton (the primary government) and its component units, except the Wilton Light and Power System. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Friends of the Wilton Public Library and the Wilton Volunteer Fire Department are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended as Special Revenue Funds of the City.

Discretely Presented Component Unit

The Wilton Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, scientific and educational purposes for the enhancement and improvement of the Wilton Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Wilton Library.

Excluded Component Unit

The Wilton Municipal Light and Power System (System) was established under Chapter 388 of the Code of Iowa to operate the City's electric utility. The System is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the System meets the definition of a component unit which should be discretely presented. Financial statements for the System were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Wilton Municipal Light and Power System, 220 W. 3rd Street, Wilton, Iowa 52778.

Jointly Governed Organizations

The City participates in several jointly governed organizations which provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cedar and Muscatine County Assessor's Conference Boards, E-911 Joint Service Board, Muscatine County Solid Waste Management Agency, Muscatine County Emergency Management Commission and Cedar County Solid Waste Commission.

Related Organization

The Wilton Community Foundation is excluded from the reporting entity because the City's accountability does not extend beyond appointing a member of the organization's Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for local option sales tax collections used for sewer projects and property tax relief.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital projects fund is utilized to account for resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to the less-restrictive unassigned fund balance classification.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the capital projects function. In addition, disbursements in the debt service function exceeded the amount budgeted prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Note Payable

Annual debt service requirements to maturity for general obligation corporate purpose and refunding bonds, sewer revenue bonds, the water revenue note and the bank loan are as follows:

Year Ending June 30,	General Obligation					
	Corporate Purpose and Refunding Bonds		Sewer Revenue Bonds		Water Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 720,000	136,382	117,000	6,370	58,000	22,357
2019	745,000	110,823	121,000	4,323	60,000	20,622
2020	760,000	98,098	126,000	2,205	62,000	18,879
2021	430,000	81,898	-	-	64,000	16,973
2022	445,000	70,048	-	-	66,000	15,059
2023-2027	1,520,000	161,973	-	-	358,000	44,726
2028-2032	410,000	31,965	-	-	79,470	2,383
Total	\$ 5,030,000	691,187	364,000	12,898	747,470	140,999

Year Ending June 30,	Bank Loan			
	Bank Loan		Total	
	Principal	Interest	Principal	Interest
2018	6,255	479	901,255	165,588
2019	6,399	335	932,399	136,103
2020	6,545	189	954,545	119,371
2021	3,329	38	497,329	98,909
2022	-	-	511,000	85,107
2023-2027	-	-	1,878,000	206,699
2028-2032	-	-	489,470	34,348
Total	\$ 22,528	1,041	6,163,998	846,125

General Obligation Bonds

On March 28, 2017, the City issued \$2,545,000 of general obligation corporate purpose bonds to provide funds to pay for improvements to City Hall, an industrial park project, an economic development grant, downtown revitalization and to pay the remaining outstanding balance of the general obligation economic development anticipation project note. The bonds bear interest ranging from 2.00% to 4.00% per annum and mature on June 1, 2027.

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,794,000 of sewer revenue bonds issued in December 1999. Proceeds from the bonds provided financing for the construction of improvements and extensions to the sanitary sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the bonds required approximately 36% of net receipts. The total principal and interest remaining to be paid on the bonds is \$376,898. For the current year, principal and interest paid and total customer net receipts were \$120,330 and \$333,057, respectively.

The resolution providing for the issuance of the sewer revenue bonds issued under an agreement between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. includes the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Pursuant to action taken by the Iowa Finance Authority, the interest rate on the sewer revenue bonds was reduced from 3.00% to 1.75% per annum, effective June 1, 2013.

The City did not make the required monthly transfers to the sewer revenue bond sinking account during the year as required by the sewer revenue bond resolution. In addition, the City does not pay for sewer usage as required by the revenue bond resolution.

Water Revenue Note

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$1,200,000 water revenue note issued in July 2008. Proceeds from the note provided financing for the construction of improvements and extensions to the municipal waterworks system. The note is payable solely from water customer net receipts and is payable through 2028. Annual principal and interest payments on the note required 27% of net receipts. The total principal and interest remaining to be paid on the note is \$888,469. For the current year, principal and interest paid and total customer net receipts were \$80,638 and \$302,560, respectively.

The resolution providing for the issuance of the water revenue note issued under an agreement between the City and Community Bank, Wilton, Iowa includes the following provisions:

- (1) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (2) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

Pursuant to a loan modification agreement effective September 9, 2013, the interest rate on the water revenue note was changed to an adjustable rate of between 2.95% and 3.94% per annum.

The City did not make the required monthly transfers to the water revenue note sinking account during the year as required by the water revenue note resolution. In addition, the City does not pay for water usage as required by the revenue note resolution.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service greater but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2017 totaled \$80,546.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$568,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City’s proportion was 0.009030%, which was an increase of 0.000816% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$85,621, \$221,449 and \$106,984, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,036,563	568,256	173,150

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2017, primarily relating to the General Fund, totaled approximately \$48,800. This liability has been computed based on rates of pay in effect at June 30, 2017.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 17 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$598 for single coverage and \$1,836 for family coverage. For the year ended June 30, 2017, the City contributed \$237,400 and plan members eligible for benefits contributed \$59,350 to the plan.

(7) Industrial Development Revenue Bonds

The City has issued a total of \$7,800,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,350,808 is outstanding at June 30, 2017. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(8) Urban Renewal Project Rebate and Economic Development Agreements

Project Rebate Agreements

The City has entered into eleven tax increment financing agreements. The City has agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of years determined by each agreement, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements end by fiscal year 2032. The total amount that will be rebated in any fiscal year for the tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City, Muscatine County and the Wilton Community School District, less the portion attributable to debt service for that year. The total amount rebated during the year ended June 30, 2017 was \$102,031. The total cumulative amount rebated since inception of the agreements is \$1,876,921. The estimated outstanding principal balance of the rebate agreements at June 30, 2017 is approximately \$390,000.

One of the eleven tax increment financing agreements above also provides for a \$483,740 economic development grant to the company as well as an obligation by the City to accomplish certain infrastructure improvements projected to cost \$2,300,000. Before the City makes any rebate payments to this company, the City will retain incremental property tax revenues sufficient to reimburse the City for the cost of the economic development grant and the infrastructure improvements.

Economic Development Agreement

On November 22, 2010, the City entered into an agreement with Wilton Development Corporation (Corporation) to provide a \$210,000 economic development grant to the Corporation to provide grants, loans, tax incentives, guarantees and other financial assistance to or for the benefit of private persons as set forth in the urban renewal plan. The grant is to be annually appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa and paid to the Corporation in annual installments over a ten year period. During the year ended June 30, 2017, the City paid \$30,000 under the agreement. At June 30, 2017, the cumulative amount paid is \$150,000, leaving a balance of \$60,000.

The agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

Eight of the twelve agreements described above include an annual appropriation clause and only the amount payable in the succeeding year is subject to the City’s constitutional debt limitation. The remaining four agreements do not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of these agreements is subject to the City’s constitutional debt limitation.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 169,104
	Group Health Insurance	23,453
	Enterprise:	
	Water	88,212
	Sewer	45,000
	Garbage	24,000
		<u>349,769</u>
Debt Service	Enterprise:	
	Sewer	<u>77,648</u>
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>169,104</u>
Total		<u>\$ 596,521</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(11) Joint Venture

The City is a party to an agreement with the Wilton Community School District (District) pursuant to Chapter 28E of the Code of Iowa to operate a public swimming pool. The pool was constructed by the District on land donated by the City. The agreement established a separate entity known as the Recreational Swim Program governed by a five-member Board of Trustees, of whom two are appointed by the City, two are appointed by the District and one is appointed by the other four members. Operating expenses are shared equally by the City and the District.

Selected unaudited information for the Wilton Community School District Swimming Pool for the year ended June 30, 2017 is as follows:

Receipts	\$ 154,843
Disbursements	<u>140,305</u>
Receipts over disbursements	14,538
Cash and investments beginning of year	<u>24,053</u>
Cash and investments end of year	<u>\$ 38,591</u>

Financial statements for the swimming pool can be obtained from the Wilton Community School District.

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. One of the eleven tax increment financing agreements also includes a commitment by the City to accomplish certain infrastructure improvements projected to cost \$2,300,000.

For the year ended June 30, 2017, the City abated \$46,900 of property tax under the urban renewal and economic development agreements.

(13) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements which impact the City.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

City of Wilton

Other Information

City of Wilton

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 1,349,277	-	-
Tax increment financing	216,681	-	-
Other city tax	356,724	-	-
Licenses and permits	35,768	-	-
Use of money and property	40,496	10,344	353
Intergovernmental	783,031	-	-
Charges for service	16,858	1,623,657	-
Miscellaneous	184,654	14,200	37,510
Total receipts	<u>2,983,489</u>	<u>1,648,201</u>	<u>37,863</u>
Disbursements:			
Public safety	736,715	-	37,880
Public works	371,904	-	-
Health and social services	2,112	-	-
Culture and recreation	442,971	-	6,668
Community and economic development	237,292	-	-
General government	393,450	-	-
Debt service	2,622,873	-	-
Capital projects	308,964	-	-
Business type activities	-	1,413,094	-
Total disbursements	<u>5,116,281</u>	<u>1,413,094</u>	<u>44,548</u>
Excess (deficiency) of receipts over (under) disbursements	(2,132,792)	235,107	(6,685)
Other financing sources (uses), net	<u>2,847,653</u>	<u>(65,756)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	714,861	169,351	(6,685)
Balances beginning of year	<u>3,150,362</u>	<u>1,732,269</u>	<u>97,563</u>
Balances end of year	<u>\$ 3,865,223</u>	<u>1,901,620</u>	<u>90,878</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,349,277	1,344,139	1,344,139	5,138
216,681	243,230	663,230	(446,549)
356,724	209,424	209,424	147,300
35,768	3,700	3,700	32,068
50,487	35,900	35,900	14,587
783,031	471,663	471,663	311,368
1,640,515	1,605,500	1,605,500	35,015
161,344	65,300	65,300	96,044
4,593,827	3,978,856	4,398,856	194,971
698,835	776,725	776,725	77,890
371,904	619,645	619,645	247,741
2,112	5,500	5,500	3,388
436,303	443,513	443,513	7,210
237,292	310,100	390,100	152,808
393,450	422,854	422,854	29,404
2,622,873	352,534	2,859,018	236,145
308,964	245,594	245,594	(63,370)
1,413,094	1,368,760	1,477,760	64,666
6,484,827	4,545,225	7,240,709	755,882
(1,891,000)	(566,369)	(2,841,853)	950,853
2,781,897	-	2,106,484	675,413
890,897	(566,369)	(735,369)	1,626,266
4,785,068	3,579,658	3,579,658	1,205,410
5,675,965	3,013,289	2,844,289	2,831,676

City of Wilton

Notes to Other Information – Budgetary Reporting

June 30, 2017

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended and discretely presented component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,695,484. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the capital projects function. Additionally, disbursements in the debt service function exceeded the budget prior to the budget amendment.

City of Wilton

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.009030%	0.008214%	0.007675%
City's proportionate share of the net pension liability	\$ 568	406	304
City's covered-employee payroll	\$ 865	831	799
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.66%	48.86%	38.05%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Wilton

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 81	79	77	74
Contributions in relation to the statutorily required contribution	(81)	(79)	(77)	(74)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 875	865	831	799
Contributions as a percentage of covered-employee payroll	9.26%	9.13%	9.27%	9.26%

* The City's covered-employee payroll information was not readily available. Therefore contributions as a percentage of covered payroll could not be calculated.

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
69	65	55	54	50	45
(69)	(65)	(55)	(54)	(50)	(45)
-	-	-	-	-	-
752	752	701	742	697	*
9.18%	8.64%	7.84%	7.28%	7.17%	*

City of Wilton

Notes to Other Information – Pension Liability

for the Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

City of Wilton

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2017

	Group Health Insurance	Road Equipment Reserve	Special Friends of the Wilton Public Library
Receipts:			
Property tax	\$ 171,918	-	-
Other city tax	2,198	-	-
Use of money and property	338	-	312
Intergovernmental	6,205	-	-
Miscellaneous	44,059	-	8,498
Total receipts	224,718	-	8,810
Disbursements:			
Operating:			
Public safety	92,156	-	-
Public works	43,546	-	-
Culture and recreation	15,444	-	6,668
General government	60,859	-	-
Total disbursements	212,005	-	6,668
Excess (deficiency) of receipts over (under) disbursements	12,713	-	2,142
Other financing uses:			
Transfers out	(23,453)	-	-
Change in cash balances	(10,740)	-	2,142
Cash balances beginning of year	159,482	167	47,554
Cash balances end of year	\$ 148,742	167	49,696
Cash Basis Fund Balances			
Restricted for:			
Employee benefits	\$ 148,742	-	-
Fire department	-	-	-
Library	-	-	49,696
Other purposes	-	167	-
Total	\$ 148,742	167	49,696

See accompanying independent auditor's report.

Revenue	
Wilton Volunteer Fire Department	Total
-	171,918
-	2,198
41	691
-	6,205
29,012	81,569
29,053	262,581
37,880	130,036
-	43,546
-	22,112
-	60,859
37,880	256,553
(8,827)	6,028
-	(23,453)
(8,827)	(17,425)
50,009	257,212
41,182	239,787
-	148,742
41,182	41,182
-	49,696
-	167
41,182	239,787

City of Wilton
Schedule of Indebtedness
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose and refunding	Mar 26, 2013	1.50-2.90%	\$ 4,100,000
Corporate purpose	Mar 28, 2017	2.00-4.00	2,545,000
Total			
Sewer revenue bonds	Dec 13, 1999	1.75%	\$ 1,794,000
Water revenue note	Jul 7, 2008	2.95-3.94%	\$ 1,200,000
General obligation economic development anticipation project note	May 1, 2016	2.43%	\$ 2,300,000
Bank loan	Oct 27, 2015	2.25%	\$ 31,641

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,905,000	-	420,000	2,485,000	53,322
-	2,545,000	-	2,545,000	-
\$ 2,905,000	2,545,000	420,000	5,030,000	53,322
476,000	-	112,000	364,000	8,330
804,470	-	57,000	747,470	23,638
1,975,000	122,000	2,097,000	-	44,632
28,644	-	6,115	22,528	619

City of Wilton

City of Wilton
Bond and Note Maturities
June 30, 2017

Year Ending June 30,	General Obligation Bonds					Total
	Corporate Purpose and Refunding Bonds		General Obligation Corporate Purpose			
	Issued Mar 26, 2013		Issued Mar 28, 2017			
	Interest Rates	Amount	Interest Rates	Amount		
2018	1.50%	\$ 430,000	2.00%	\$ 290,000		720,000
2019	1.50	435,000	2.00	310,000		745,000
2020	1.50	440,000	3.00	320,000		760,000
2021	2.00	105,000	3.00	325,000		430,000
2022	2.00	105,000	3.00	340,000		445,000
2023	2.00	105,000	4.00	345,000		450,000
2024	2.00	110,000	4.00	355,000		465,000
2025	2.20	115,000	2.50	85,000		200,000
2026	2.20	115,000	2.50	85,000		200,000
2027	2.45	115,000	2.50	90,000		205,000
2028	2.45	120,000		-		120,000
2029	2.70	70,000		-		70,000
2030	2.70	70,000		-		70,000
2031	2.90	75,000		-		75,000
2032	2.90	75,000		-		75,000
Total		<u>\$ 2,485,000</u>		<u>\$ 2,545,000</u>		<u>5,030,000</u>

Year Ending June 30,	Sewer Revenue Bonds		Water Revenue Note		Bank Loan	
	Issued Dec 13, 1999		Issued Jul 7, 2008		Issued Oct 27, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2018	1.75%	\$ 117,000	* 2.95%	\$ 58,000	2.25%	\$ 6,255
2019	1.75	121,000	2.95	60,000	2.25	6,399
2020	1.75	126,000	2.95	62,000	2.25	6,545
2021		-	2.95	64,000	2.25	3,329
2022		-	2.95	66,000		-
2023		-	2.95	67,000		-
2024		-	2.95	69,000		-
2025		-	2.95	72,000		-
2026		-	2.95	74,000		-
2027		-	2.95	76,000		-
2028		-	2.95	79,470		-
Total		<u>\$ 364,000</u>		<u>\$ 747,470</u>		<u>\$ 22,528</u>

* Interest rate in effect from September 9, 2013 through June 1, 2018. The interest rate will be adjusted on June 1, 2018 and on June 1, 2023 using the Wall Street Journal Prime Lending Rate minus 30 basis points limited to a maximum of 3.94%.

See accompanying independent auditor's report.

City of Wilton

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

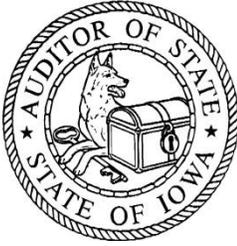
For the Last Ten Years

	2017	2016	2015	Modified 2014
Receipts:				
Property tax	\$ 1,349,277	1,255,268	1,254,833	1,204,400
Tax increment financing	216,681	223,798	199,471	300,880
Other city tax	356,724	339,865	339,220	337,484
Licenses and permits	35,768	37,207	37,832	37,377
Use of money and property	40,496	40,481	36,593	39,498
Intergovernmental	783,031	516,807	427,425	377,548
Charges for service	16,858	31,546	11,326	10,859
Special assessments	-	-	-	-
Miscellaneous	184,654	799,728	924,098	265,462
Total	<u>\$ 2,983,489</u>	<u>3,244,700</u>	<u>3,230,798</u>	<u>2,573,508</u>
Disbursements:				
Operating:				
Public safety	\$ 736,715	594,741	773,201	467,105
Public works	371,904	581,009	433,813	344,051
Health and social services	2,112	2,112	2,112	4,952
Culture and recreation	442,971	381,104	421,612	365,381
Community and economic development	237,292	169,868	163,159	203,538
General government	393,450	388,601	370,292	394,752
Debt service	2,622,873	497,832	495,557	582,860
Capital projects	308,964	1,444,957	526,860	-
Total	<u>\$ 5,116,281</u>	<u>4,060,224</u>	<u>3,186,606</u>	<u>2,362,639</u>

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
1,192,643	1,148,723	1,084,877	1,045,346	1,003,589	927,919
244,140	236,455	325,502	-	17,921	123,703
311,625	315,634	296,359	179,452	187,122	167,839
37,609	38,905	34,180	33,374	29,705	27,575
39,343	39,865	32,048	31,036	37,645	144,468
358,369	363,569	376,791	796,921	324,066	340,477
9,148	11,147	32,540	14,118	22,264	14,806
212	10,175	11,211	12,122	15,361	18,039
198,011	428,221	391,139	1,620,402	72,447	99,139
<u>2,391,100</u>	<u>2,592,694</u>	<u>2,584,647</u>	<u>3,732,771</u>	<u>1,710,120</u>	<u>1,863,965</u>
478,537	481,639	462,448	437,224	720,529	623,642
342,494	336,956	396,078	408,378	385,730	359,788
4,834	4,570	4,372	4,062	4,463	5,313
384,010	384,566	330,445	233,911	256,883	185,894
224,195	246,222	242,391	250,821	183,223	4,462
332,480	345,013	323,960	347,337	328,212	350,148
3,143,549	689,927	579,656	355,650	359,467	641,057
-	1,000	754,248	2,661,986	-	-
<u>4,910,099</u>	<u>2,489,893</u>	<u>3,093,598</u>	<u>4,699,369</u>	<u>2,238,507</u>	<u>2,170,304</u>

City of Wilton



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2018. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Wilton Municipal Light and Power System.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Wilton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Wilton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Wilton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Wilton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wilton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Wilton's Responses to the Findings

The City of Wilton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Wilton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Wilton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

March 26, 2018

City of Wilton

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Receipts – preparing bank reconciliations and recording receipts. There is no evidence of review of initial receipt listings and no evidence of review for correct coding after receipts are entered in the accounting system.
- (3) Journal entries – There is no evidence of independent review of journal entries.

For the Friends of the Wilton Public Library and the Wilton Library Foundation, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Receipts – opening mail, collecting and depositing.
- (3) Disbursements – check writing, signing and approving. Only one signature is required on the checks.

For the Wilton Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, handling and recording cash.
- (2) Receipts – opening mail, collecting and depositing.

Cause – The City and its component units have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's and its component unit's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Wilton

Schedule of Findings

Year ended June 30, 2017

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and its component units should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Reviews of journal entries and reconciliations should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – City Administrator will speak with the departments to make sure they have reviews of the entries and reconciliations.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statement.

Condition – A material amount of transfers between General Fund accounts were incorrectly classified as receipts and disbursements rather than transfers. Adjustments were subsequently made to properly report these amounts in the City's financial statements.

Cause – City policies and procedures have not been established to require independent review of the classification of transfers to ensure the City's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City's financial statements were necessary.

Recommendation – The City should implement procedures to ensure transfers are properly recorded and classified in the City's financial records.

Response – The City Administrator and City Clerk will monitor the transfers closer.

Conclusion – Response accepted.

City of Wilton

Schedule of Findings

Year ended June 30, 2017

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City’s monthly financial report. However, review of the monthly bank reconciliations by an independent person is not documented.

Cause – Procedures have not been designed and implemented to ensure the review of monthly bank reconciliations by an independent person is documented.

Effect – The lack of an independent review of bank reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – An independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – The City will have an employee sign off on the documents.

Conclusion – Response accepted.

(D) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable.

Condition – Although the City has a disaster recovery plan, the plan does not include identification of critical applications.

Cause – Management has not required the disaster recovery plan to include identification of critical applications.

Effect – The failure to have a formal disaster recovery plan which includes identification of critical applications could result in the City’s inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should review and modify the current disaster recovery plan to include a listing of the critical applications of the City.

Response – The City Administrator will coordinate with the Police and Fire Departments to update the plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wilton

Schedule of Findings

Year ended June 30, 2017

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the capital projects function. Additionally, disbursements in the debt service function were exceeded prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City Administrator will monitor the budget numbers closer.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

On September 16, 2016, the Friends of the Wilton Library issued a check to “cash.” Documentation supporting to whom the cash was given and for what purpose was not available. Per inquiry of City personnel, the cash was used as a change fund for a fundraising event.

Additionally, all City employees are provided an annual clothing allowance, regardless of whether a specific type of clothing is required to perform their duties. The amount allowed is \$100 for office employees and \$300 for employees classified as City public works employees. During the year ended June 30, 2017, \$1,972 was reimbursed to City employees for clothing purchases. These reimbursements were not processed through payroll and, accordingly, the proper tax withholdings were not applied to the reimbursements.

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Friends of the Wilton Library should discontinue the practice of writing checks to “cash”. Checks to obtain cash for fundraising events should be issued to the bank. Documentation supporting to whom the cash was given and for what purpose should be maintained.

Additionally, the City should determine and document the public purpose served by paying a clothing allowance to City employees. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation and inclusion of these clothing allowances in taxable income.

City of Wilton

Schedule of Findings

Year ended June 30, 2017

Response – The City Administrator will notify the Friends of the Library about the disbursement requirement. The City Council will be consulted about the clothing allowance.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wayne Budding, Council Member, owner of Sunset View Pet Hospital	Annually appropriated TIF rebate payment	\$4,844

The above transaction does not appear to represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since the TIF project was approved prior to Mr. Budding’s appointment to the City Council and Mr. Budding did not participate in the vote to appropriate the TIF rebate payment.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council Minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and Note – The City did not make sufficient transfers from the Enterprise, Sewer Fund to the sewer revenue bond sinking account or from the Enterprise, Water Fund to the water revenue note sinking account for the revenue bond and note payments as required by the revenue bond and note resolutions. In addition, the City does not pay for water or sewer usage as required by the revenue bond and note resolutions.

Recommendation – The City should make transfers from the Enterprise, Sewer Fund to the sewer revenue bond sinking account and the Enterprise, Water Fund to the water revenue note sinking account sufficient to pay the revenue bond and note payments as required. In addition the City should pay for water and sewer usage as required by the revenue bond and note resolutions.

Response – The transfers will be made according to the requirements.

Conclusion – Response accepted.

City of Wilton

Schedule of Findings

Year ended June 30, 2017

- (9) Payment of General Obligation Bonds – The City’s November 2015 TIF debt certification included \$50,875 of payments pertaining to the 2013 general obligation corporate purpose bond issue. However, during fiscal year 2017, principal of \$420,000 and interest of \$53,322 for the general obligation corporate purpose bonds were paid from the Debt Service Fund with no corresponding transfer from the Special Revenue, Urban Renewal Tax Increment Fund. Also, previous to November 2015, TIF debt certifications included \$103,550 for the TIF portion of fiscal year 2015 and 2016 principal and interest payments on the 2013 general obligation bonds. This principal and interest was paid from the Debt Service Fund with no corresponding transfer from the Special Revenue, Urban Renewal Tax Increment Fund.

In addition, a portion of the 2013 general obligation corporate purpose bond issue was to be paid from the Enterprise, Sewer Fund. During fiscal year 2017, an appropriate portion of funds, \$77,648, were transferred to the Debt Service Fund from the Enterprise, Sewer Fund. However, appropriate transfers from the Enterprise, Sewer Fund totaling \$157,770 for fiscal years 2015 and 2016 were not completed.

Recommendation – The City should initiate corrective transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund for current and past general obligation principal and interest amounts certified as a TIF obligation, but not transferred to the Debt Service Fund. The City should implement procedures to ensure transfers are made in the future from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund for future funding contributions certified as TIF debt.

In addition, the City should initiate corrective transfers from the Enterprise, Sewer Fund to the Debt Service Fund for past general obligation principal and interest amounts to be paid from the Enterprise, Sewer Fund and implement procedures to ensure transfers are made in the future from the Enterprise, Sewer Fund to the Debt Service Fund, as appropriate.

Response – Corrective transfers will be made.

Conclusion – Response accepted.

- (10) Tax Increment Financing (TIF) Indebtedness Certification – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

During the year ended June 30, 2017, the City paid \$57,528 of revitalization costs and \$11,000 of bond rating fees from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts. The City certified these costs to the County Auditor as a TIF obligation. However, in accordance with Chapter 403.19(10)(b) of the Code of Iowa, the City may not borrow from the TIF Fund.

City of Wilton

Schedule of Findings

Year ended June 30, 2017

Recommendation – The City should reimburse the TIF fund from an allowable fund, such as the General Fund, for these costs. If the disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – The correct funds will be used to pay for TIF projects.

Conclusion – Response accepted.

City of Wilton

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Anthony M. Heibult, Senior Auditor
Nicholas A. Kruse, Assistant Auditor
Sarah M. Schwind, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State